

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

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FALL RIVER GAS COMPANY) D. T. E. 00-90

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OFFER OF SETTLEMENT

This Offer of Settlement ("Settlement") is entered into this 14th day of December, 2000 by and between Fall River Gas Company ("Fall River" or the "Company") and the Commonwealth of Massachusetts Division of Energy Resources ("DOER"), for the purpose of resolving all issues that were raised in connection with the above-captioned proceeding. Fall River and DOER are collectively referred to herein as the "Settling Parties." Pursuant to 220 C.M.R. § 1.10(8), the Settling Parties stipulate to the following:

1. On November 1, 2000, pursuant to G.L.c. 164 App., §§ 2-1 through 2-10 and 220 C.M.R. §§ 7.00 et seq., Fall River filed with the Department of Telecommunications and Energy ("Department") a petition for approval by the Department of the Company's proposed operating budget of \$79,452 and applicable monthly surcharge of \$0.14 per monthly bill for the residential energy conservation service ("RCS") program for the calendar year January 1, 2001 through December 31, 2001 ("CY 2001").

2. Pursuant to G.L.c. 164 App., §§ 2-1 through 2-10 DOER must adopt a state plan and promulgate regulations necessary to implement that plan. DOER is responsible for (a) establishing residential energy and conservation goals; (b) establishing RCS program guidelines; (c) monitoring the implementation of the program requirements; and (d) overseeing the implementation of the state plan, historically by approving a utility implementation plan ("UIP"). DOER has commenced implementation of the redesign of the RCS program, including the amendment of existing regulations. The Company is participating in this process. The Company's filing in this proceeding reflects the unique circumstances of this transition year of converting the former ECS program into a redesigned RCS program and specifically responds to the DOER's directives that, in lieu of a traditional UIP, RCS program administrators should include a CY 2001 budget summary and related tables for RCS budget filings for CY 2001.

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3. In support of this Offer of Settlement, the Settling Parties hereby incorporate into this Settlement the exhibits Fall River filed with the Department on November 1st in support of its proposed budget and surcharge, i.e. Exhibits FRG-A, FRG-B and FRG-C.

4. DOER has received and reviewed Fall River's CY 2001 budget filing and finds that Fall River's proposed budget is adequate to support the activities contemplated during this transition year.

5. Fall River's RCS budget filing complies with the requirements established in G.L.c. 164 App., §§ 2-1 through 2-10; 220 C.M.R. §§ 7.00 et seq.; and the filing requirements set forth in Mass. Save, Inc., D.P.U. 85-189 (1985).

6. Fall River's actual expenses for the first nine months of calendar year 2000 (CY-2000) were \$58,976 and are reasonable and therefore recoverable from ratepayers (Exh. FRG-A, Attachment 8-A). Fall River's filing also demonstrates that its actual expenditures for the last three months of FY 99-00 are similarly reasonable and recoverable. Id. at Tab 8-B. The Settling Parties agree that the Department will review the Company's actual expenditures for the final three months of CY 2000 in the next annual RCS budget review.

7. Fall River's CY 2001 budget projections are good faith estimates based on the estimates approved for CY 2000 and actual in-field experience during CY-2000. These twelve-month estimated expenditures for CY 2001 are reasonable and recoverable from the ratepayers. Funding the budget at this level during this pivotal transition year helps to assure the successful implementation of a redesigned RCS program.

8. Given the unique circumstances of this transition year for converting the ECS program to the redesigned RCS program, the Company will cooperate with DOER in effecting beneficial reform of the RCS program.

9. Once the DOER redesign is complete, the Company will notify the Department of changes, if any, that it proposes to make to its RCS program to comply with the DOER redesign.

10. The Company calculated its RCS surcharge by dividing the total number of bills expected to be rendered during CY 2001 by the net amount to be collected to support RCS services and factoring in an adjustment with respect to past expenditures and collections. (Exh. FRG-B). The RCS surcharge to be applied to the Company's bills during CY 2001 shall be \$0.14 per bill per month. This surcharge is generally

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consistent with the surcharge of \$0.12 per bill per month approved by the Department in Fall River Gas Company, D.T.E. 99-94-F (December 30, 1999) for CY 2000.

11. Fall River's proposed CY 2001 RCS program budget, budget reconciliations, and proposed CY 2001 surcharge, are reasonable.

12. The making of this Settlement shall not be deemed in any respect to constitute an admission by any party that any allegation or contention in these proceedings is true or valid.

13. This Settlement is expressly conditioned upon the Department's acceptance of all of its provisions, without change or condition on or before December 31, 2000, and if the Department does not accept it in its entirety, without change or condition, the Settlement shall be deemed to be null and void and without effect, and shall not constitute any part of the record in this proceeding nor be used for any other purpose.

14. The Department's acceptance of this Settlement does not constitute continuing approval of, or precedent regarding, any particular issue in this proceeding, but such acceptance does constitute a determination that, as the Settling Parties believe, the provisions set forth herein are just and reasonable.

15. The discussions which have produced this Settlement have been conducted on the understanding that all offers of settlement and discussion relating thereto are and shall be privileged, and shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in any manner in connection with this proceeding, any further proceeding or otherwise.

Wherefore, the Settling Parties agree to jointly petition the Department to approve this Offer of Settlement by submitting a Joint Motion for Approval of Offer of Settlement in accordance with 220 C.M.R. § 1.10(8), and by their attorneys do hereunto affix their names.

FALL RIVER GAS COMPANY

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